

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-03 SSO-00 NSCE-00 CAB-02

CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00

INRE-00 SS-15 NSC-05 /052 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7470

INFO AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - CHARTER TALKS WITH THE EUROPEANS

REF: STATE 291770

1. IT IS APPARENT THAT US AND EUROPEAN STATES HAVE REACHED IMPASSE IN BILATERAL CHARTER ARRANGEMENTS FOR NEXT YEAR. US HAS INDICATED, THUS FAR AT LEAST, THAT CONDITIONS IN ECAC GUIDELINES ARE UNACCEPTABLE AND NO EUROPEAN STATE HAS BROKEN COMMON POSITION AGREED AMONG ECAC MEMBERS. SOME, NOTABLY FRANCE AND FRG, HAVE EVEN INSISTED ON CONDITIONS MORE STRINGENT THAN THOSE CONTAINED IN ECAC GUIDELINES. LACK OF PROGRESS PLACES IN DOUBT WHAT, IF ANY, AGREED REGIME WILL GOVERN CHARTER OPERATIONS ON NORTH ATLANTIC IN BOTH SHORT AND MEDIUM TERM.

2. DEPT WILL BY NOW HAVE SEEN EMBASSY PARIS VIEWS ON US-ECAC RELATIONS (PARIS 32443). WE BELIEVE THAT MESSAGE

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AND PROPOSALS IT CONTAINS DESERVE CAREFUL STUDY. CER-

TAINLY ITS ANALYSIS ON CURRENT STATE OF US-ECAC RELATIONS IS, IN OUR VIEW, AN ACCURATE ONE. AS EMBASSY PARIS POINTS OUT, ECAC IS NOW A STRONG AND FAIRLY COHESIVE FORCE ON EUROPEAN SIDE OF THE ATLANTIC AND IT IS NOT LIKELY TO GO AWAY. IN OUR VIEW, NEW EUROPEAN SOLIDARITY IS ROOTED FIRMLY IN FACT THAT: (A) CHARTER TRAFFIC HAS GROWN ENORMOUSLY IN PAST TEN YEARS AND NOW CONSTITUTES AN INCREASINGLY IMPORTANT PART OF NORTH ATLANTIC TRAVEL MARKET; (B) VAST MAJORITY OF THIS TRAFFIC, BOTH US AND EUROPEAN ORIGINATING, IS CARRIED ON US AIRLINES; AND (C) DESTINATION FLEXIBILITY OF CHARTER FLIGHTS SEVERELY UNDERCUTS NEGOTIATING LEVERAGE OF INDIVIDUAL EUROPEAN STATES UNLESS THEY HAVE A COMMON POSITION. WE AGREE WITH EMBASSY PARIS ASSESSMENT THAT, HAVING RECOGNIZED THESE FACTORS AND HAVING SUCCESSFULLY FRUSTRATED OUR EFFORTS TO CONCLUDE BILATERAL AGREEMENTS BY MAINTAINING A COMMON FRONT, THE EUPOEANS ARE NOW UNLIKELY TO OFFER FURTHER SUBSTANTIAL CONCESSIONS TO US. USG, THEREFORE, MUST ADDRESS ITSELF TO THE QUESTION OF HOW IT IS GOING TO DEAL WITH THE NEW SITUATION IT FACES.

3. PERHAPS THE FIRST QUESTION TO ASK IS WHETHER CHARTER AGREEMENTS ARE NEEDED. UNTIL ADVENT OF ABC/TGC'S CHARTER FLIGHTS OPERATED WITHOUT AGREEMENTS AND PRESUMABLY THEY COULD OPERATE IN THE FUTURE WITHOUT THEM. WE BELIEVE, HOWEVER, THERE ARE IMPORTANT ADVANTAGES TO HAVING INTER-GOVERNMENTAL AGREEMENTS: THEY EXPRESSLY SET FORTH THE GROUND RULES, AT LEAST WITH RESPECT TO CHARTERWORTHINESS CONDITIONS, FOR THE OPERATION OF CHARTER SERVICES; THEY PROVIDE A STALE ENVIRONMENT AND A BASIS FOR PLANNING BOTH FOR THE AIRLINES AND THE TRAVEL INDUSTRY; AND THEY HELP TO SMOOTH OVER MINOR IRRITANTS IN DAY-TO-DAY OPERATIONS. IN OUR VIEW, A NO AGREEMENT SITUATION WOULD PRODUCE AN OPERATING ENVIRONMENT THAT WOULD BE CONSIDERABLY MORE RESTRICTIVE THAN IS PRESENTLY THE CASE. IT WOULD ALSO LEAD US TO A SITUATION WHERE WE WOULD BE "INDIAN WRESTLING" WITH EUROPEAN GOVERNMENTS OVER APPROVAL OR DISAPPROVAL OF INDIVIDUAL FLIGHTS OR SERIES OF FLIGHTS WITH ADVANTAGE GOING TO THE GOVERNMENT THAT HAPPENED TO HAVE LEVERAGE AT THE TIME AND WHICH WAS PREPARED TO LIMITED OFFICIAL USE

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IGNORE PUBLIC INTEREST AND POLITICAL CONSIDERATIONS TO EXERCISE ITS LEVERAGE. IN OUR VIEW, A NO AGREEMENT SITUATION WOULD FAVOR THE EUROPEANS.

4. IF IT IS ACCEPTED THAT AGREEMENTS ARE DESIREABLE, THEN IN TRYING TO ACHIEVE THOSE AGREEMENTS WE BELIEVE WE SHOULD START BY EXTENDING EXISTING ARRANGEMENTS TO COVER THE PERIOD WHILE NEGOTIATIONS ARE UNDERWAY. EXTENSIONS

WOULD PROVIDE A USEFUL STARTING POINT FOR DISCUSSIONS
AND THEY WOULD ALSO PRESERVE THE IDEA THAT INTERGOVERN-
MENTAL AGREEMENTS ARE ESSENTIAL FOR THE OPERATION TO THE
US OF CERTAIN TYPES OF EUROPEAN CHARTERS.

5. WITH REGARD TO THE POSSIBLE TERMS OF NEW BILATERAL
AGREEMENTS, WE BELIEVE THAT ECAC GUIDELINES AS DESCRIBED
IN VERES LETTER TO STYLES (PARIS 31012) GENERALLY MEET

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OUR REQUIREMENTS EXCEPT FOR ECAC INSISTENCE THAT THERE BE
NO "PRACTICAL" APPLICATION OF THE UPLIFT RATIO DURING
TERM OF ANY AGREEMENT AND PROVIDED THAT PRICE SURVEILL-
ANCE PROCEDURE CALLS FOR PRIOR CONSULTATIONS BEFORE ANY
UNILATERAL ACTION IS TAKEN. ONLY FRANCE THUS FAR HAS
OBJECTED TO PRICE SURVEILLANCE SYSTEM WE HAVE PROPOSED.
INASMUCH AS URG HAS ALREADY CONFERRED CHARTER TRAFFIC

RIGHTS TO FOREIGN AIRLINES, WE DO NOT BELIEVE IT WOULD BE PRUDENT FOR US GIVE AWAY THE UPLIFT RATIO, WHICH IS THE ONLY HANDLE WE HAVE RETAINED TO CONTROL FOREIGN SUPPLEMENTAL AIRLINES CHARTERING OPERATIONS OUT OF THE US, UNLESS WE REPLACE IT WITH SOME OTHER FORM OF CONTROL. IN LONDON 17284, WE RECOMMENDED THAT THE USG SHIFT FROM THE UPLIFT RATIO TO A PRIOR APPROVAL SYSTEM. THAT IS STILL OUR RECOMMENDATION. WE BELIEVE PRIOR APPROVAL IS A BETTER FORM OF CONTROL AND SINCE IT IS A SYSTEM PRACTICED BY EUROPEANS THEMSELVES, THEY CAN SCARCELY OBJECT IF THE US LIMITED OFFICIAL USE

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ADOPTS SUCH A PRACTICE. MOREOVER, IT COULD BE USED TO ACCOMPLISH THE SAME OBJECTIVE AS THE UPLIFT RATIO IF USG WERE TO INDICATE THAT IT WOULD EXPECT THERE TO BE A "REASONABLE" (BUT UNDEFINED) DIRECTIONAL BALANCE IN CHARTER FLOWS.

6. IF USG WERE TO ADOPT A PRIOR APPROVAL SYSTEM, WE COULD INFORM ECAC THAT WE ACCEPT CONDITIONS IN VERES LETTER AND, AS SUGGESTED BY EMBASSY PARIS, TELL ECAC WE AGREE TO TRILATERAL TALKS PROVIDED WE CAN NOW PROMPTLY CONCLUDE BILATERAL AGREEMENTS. THIS WOULD SHIFT TO ECAC THE BURDEN OF BRINGING ITS MEMBERS INTO LINE ON CONDITIONS SET FORTH IN VERES LETTER AND DESCRIBED AS "COMMON POSITION" OF EUROPEAN STATES. WE COULD TRY THE SAME TACTIC EVEN WITHOUT MOVING TO A PRIOR APPROVAL SYSTEM BUT IT WOULD BE MORE DIFFICULT BECAUSE EUROPEANS WOULD HAVE AN OUT BY CLAIMING THAT ONE OF THEIR CONDITIONS (UPLIFT RATIO) WAS NOT BEING MET.

7. ALTERNATIVELY, WE COULD CONCLUDE BILATERALS WITH GERMANY, IRELAND, AND NETHERLANDS ALONG LINES ALREADY DISCUSSED WITH THEM. (WE ASSUME NETHERLANDS WOULD AGREE TO ARRANGEMENTS SIMILAR TO THOSE WORKED OUT WITH THE IRISH). WITH THESE AGREEMENTS IN HAND, WE COULD GO BACK TO BELGIANS TO SEE IF PRICE THEY ARE NOW DEMANDING FOR RENEWAL OF "SAFEHAVEN" AGREEMENT WOULD BE REDUCED IN VIEW OF ALTERNATE DESTINATIONS AVAILABLE TO US UNDER THE NEW AGREEMENTS WITH NEIGHBORING COUNTRIES. BELGIANS MIGHT BE ATTRACTED BY AN ARRANGEMENT THAT WOULD GIVE THEM AN ESCAPE CLAUSE IN EVENT SIXTH FREEDOM ISSUE IS RESURRECTED DURING TERM OD CHARTER AGREEMENT.

8. IF APPROAHH IN PARA 7 WORKED, WE WOULD STILL HAVE FRANCE AND UK TO CONTEND WITH. UNLESS FRANCE BACKS OFF FROM INSISTENAE ON PRICE CONTROL AND PART CHARTER AUTHORITY, IT MAY BE IMPOSSIBLE TO CONCLUDE AN AGREEMENT. THE SAME IS TPUE OF UK WITH RESPECT TO THE UPLIFT RATIO. HOWEVER, THE PROBLEM WOULD THEN BE CONFINED TO ONLY TWO

MARKETS AND WMULD BE MORE MANAGEABLE. AND IT IS ALWAYS
POSSIBLE THAT IF OTHER AGREEMENTS ARE IN PLACE, IN FURTHER
NEGOTIATIONS UK MIGHT DEAL WITH UPLIFT RATIO IN UNILATERA
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SIDE LETTER AS FRG HAS PROPOSED AND FRANCE MAY COMPROMISE
ON ITS TERMS FOR AN AGREEMENT.

9. COMMENT. IN VIEWING STATE-OF-PLAY IN US-EUROPE
CHARTER NEGOTIATIONS, WE HOPE WASHINGTON AGENCIES WILL
RECOGNIZE THAT EUROPEANS HAVE NOT BEEN "STONEWALLING.
THEY HAVE IN FACT MOVED SOME DISTANCE IN TRYING TO
ACCOMMODATE US CONCERNs. IT IS US THUS FAR WHICH HAS
OFFERED NO CONCESSIONS. SOLIDARITY GIVES AND WILL CON-
TINUE TO GIVE THE EUROPEANS MUCH GREATER NEGOTIATLNG
LEVERAGE IN DEALING WITH THE US. WE MAY NOT LIKE THIS
DEVELOPMENT BUT THERE IS NOT MUCH WE CAN DO ABOUT IT. WE
MUST ACCEPT THAT THE CHARTER REGIME THAT GOVERNS THE
NORTH ATLANTIC CANNOT BE FULLY CONTROLLED BY ONE SIDE OR
THE OTHER AND THAT IF CONDITIONS ESTABLISHING THAT REGIME
ARE TO BE AGREED (AND WE THINK THEY MUST BE), THEN THERE
MUST BE GIVE AND TAKE ON BOTH SIDES TO ACHIEVE AGREEMENT.

RICHARDSON

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